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UNCLAS SECTION 01 OF 02 KINGSTON 002450

SIPDIS

STATE FOR WHA/CAR (WBENT), WHA/EPSC (JSLATTERY)

SANTO DOMINGO FOR FCS AND FAS

TREASURY FOR L LAMONICA

E.O. 12958: NA

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SUBJECT: PRIVY COUNCIL RULES AGAINST PROMINENT FORMER
JAMAICAN BANKER

1. Summary: Don Crawford, former head of the failed Century National Bank, has lost his appeal to the Privy Council following a 1999 conviction in civil court for financial fraud and has been instructed to repay about USD 45 million to the GOJ. Although the Director of Public Prosecutions has made a ruling on whether criminal charges will be filed, that ruling has not yet been made public. Crawford, who resides in the U.S., was once the darling of the Jamaican banking sector. He was often lauded by GOJ officials for his foray into non-banking areas at a time when investors were shunning the productive sector to benefit from the high interest rate regime. However, Crawford's bank, which made a number of loans to connected parties, was soon to face a liquidity and solvency crisis and had to seek assistance from the state. Recognizing the extent of the deficit, the authorities took control of the bank and eventually charged Crawford for financial fraud. It is widely believed that his close affiliation with the opposition Jamaica Labor Party did not help his cause, as no other banker has been charged. Crawford's lawyers are in the process of discussing payment, which if made would provide a much-needed windfall to the cash-strapped GOJ. End summary.

2. The UK-based Privy Council, on October 10, ruled that Don Crawford and former top executives of the failed Century National Bank (CNB) must pay the GOJ an estimated USD 45 million in principal and interest for unsecured loans made ahead of the bank's collapse in 1996. The Privy Council is expected to announce the final amount payable to the state when it hands down its written judgment later this month. The Privy Council's ruling arose from the appeal of a March 1999 decision by Jamaica's Chief Justice Lensley Wolfe, in which he berated the actions of Crawford and another top executive Caple Williams, whom he described as rogue bankers. "They were busy helping themselves to the bank's funds," Wolfe said in his judgment at the time. "These payments constitute a misapplication of the bank's funds." However, Crawford, who reportedly resides in Atlanta, was once regarded as a model banker and GOJ functionaries viewed his bank as a blueprint. Crawford was often lauded by GOJ officials for venturing into non-banking areas such as real estate at a time when investors were shunning productive investment to benefit from the GOJ'S high interest rate policy.

3. (SBU) Ironically, it was Crawford's foray into non-core activities, which was partly responsible for the bank's demise, as a number of unsecured loans were made to connected parties to finance these investments. In particular, the bank made loans to companies owned by Crawford, his mother and former Opposition Leader and Prime Minister Edward Seaga. One such loan was made to an affiliated company to construct the over 700-room Renaissance Hotel. The unsecured loans to connected parties took a toll on the liquidity and solvency of the bank when they could not be financed. This prompted the institution to approach the GOJ for assistance in 1996 when funds were not available to pay depositors. However, recognizing the magnitude of the deficit the GOJ was forced to take control of the bank.

4. The Director of Public Prosecutions (DPP), who was called in to probe the activities of the bank, ruled that Crawford, his mother and top executives were to be charged for financial fraud. It is widely held that his close affiliation with the Jamaica Labor Party did not help his cause as to date no other banker has been charged despite the failure of other institutions. However, the Privy Council ruling could well provide a precedent for other financial sector players to be charged. Head of the Financial Fraud Unit in the Office of the Director of Public Prosecution (DPP) Caroline Haye was hesitant to comment on whether there were other cases pending against other former bankers. She suggested that emboff write to DPP Kent Pantry for a response.

5. (SBU) Lawyers representing Crawford do not expect any criminal charges to be brought against their client,

although he was investigated by the Fraud Squad following the collapse of the bank. The lawyers said the next step is for both sides to meet and discuss the final figures to be paid by Crawford. If the debt is repaid it would provide a welcome windfall for the coffers of the GOJ, particularly given the continued underperformance in revenues, a point captured by a cartoonist at the Gleaner newspaper. The cartoon showed an expectant Finance Minister Omar Davies inquiring of a distraught Crawford when he would be sending the money, while at the same time informing him that he could send it through a leading remittance company. Chief Fiscal Economist at the Ministry of Finance Courtney Williams told emboff that if the money is repaid then it would be more than welcome, but he is of the opinion that the GOJ might only receive a portion of the judgment amount. Williams told emboff that he was aware of a case against Paul Chen Young of the former Eagle Financial Group, who also resides in the U.S. and has written a book about the crisis. When asked if there were any political underpinnings in the cases, Williams said, "not that I am aware of, but nothing can be ruled out."

ROBINSON